

PT 06-7

Tax Type: Property Tax

Issue: Charitable Ownership/Use

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE
OFFICE OF ADMINISTRATIVE HEARINGS
SPRINGFIELD, ILLINOIS**

THE DEPARTMENT OF REVENUE)	
OF THE STATE OF ILLINOIS)	
)	Docket No. 04-PT-0035
v.)	PIN 05-05-31-400-021
)	Tax Year 2003
EVERETT MCKINLEY DIRKSEN)	
ENDOWMENT FUND)	
Applicant)	

RECOMMENDATION FOR DISPOSITION

Appearances: Kent Steinkamp, Special Assistant Attorney General, for the Department of Revenue of the State of Illinois; Louis E. Miller of Bagley & Miller for Everett McKinley Dirksen Endowment Fund.

Synopsis:

The Everett McKinley Dirksen Endowment Fund (“applicant”) filed an application for a property tax exemption for the year 2003 for a parcel of property located in Tazewell County. The Department of Revenue (“Department”) denied the exemption, and the applicant timely protested the denial. The applicant is a nonprofit research and educational institution, and the applicant alleges that it is entitled to a charitable purposes exemption pursuant to section 15-65 of the Property Tax Code (35 ILCS 200/15-65) on the basis that the property is owned by a charitable organization and used exclusively for

charitable purposes. After reviewing the record, it is recommended that this matter be resolved in favor of the applicant.

FINDINGS OF FACT:

1. The applicant is a not-for-profit corporation that was organized in November 1963 with the following purpose:

“[T]o finance and maintain the creation of a wing of the City Library of Pekin, Illinois, to house, display, and preserve the public letters, books, records, pictures, medals, and other materials associated with the public service of Everett McKinley Dirksen as citizen, soldier, and public servant; and to make such endowments for the study and dissemination of the art and science of public service as shall seem fitting.” (Dept. Ex. #1, pp. 15, 17; Tr. p. 10)

2. The applicant does not have any capital, capital stock or shareholders. (Tr. p. 10)

3. From 1963 to 1976, the applicant’s documents and materials were housed in the offices of Everett Dirksen Special Assistant who was in Chicago. In 1976 a wing of the Pekin Public Library opened to house the collection. (App. Ex. #1; Tr. pp. 13-14)

4. In April 1989, the Board of Directors expressed the current mission as follows: “The Everett McKinley Dirksen Congressional Leadership Research Center [“Center’] is a private, nonpartisan, nonprofit research and educational institution whose mission is to help people better understand the U.S. Congress and its leaders.” (App. Ex. #2)

5. The Center outgrew its space in the Pekin Public Library, which the library then used for its own expansion. (App. Ex. #1)

6. On April 30, 2002, the applicant purchased the property at issue in this case, which is located at 2815 Broadway in Pekin. Construction began on the facility in 2002, and the Center occupied the facility in September 2003. (Dept. Ex. #1; App. Ex. #1)

7. There are four functional areas in the building located at 2815 Broadway: (1) the Robert H. Michel Conference Room (685 sq. ft.), which seats 25 and is used for Board and committee meetings and for educational seminars and workshops; (2) the Program/Office space (1,839 sq. ft.), which is occupied by staff and researchers who use the Center's historical collections; (3) the Historical Materials Center (1,916 sq. ft.), which houses the Center's 3,000 linear feet of historical materials (documents, artifacts, still photographs, audiovisuals, and reference book collection); and (4) support space (991 sq. ft.), which includes a kitchenette, two restrooms, and the mechanical room. (Dept. Ex. #1, p. 6)

8. The applicant derives most of its revenue from investment income from its endowment fund. The applicant has approximately 6.8 million dollars in its investment portfolio. The investment income was initially acquired from donations and grants. (App. Ex. #3, p. 2; Tr. pp. 10-12)

9. The applicant maintains the collections of Everett McKinley Dirksen, Harold H. Velde, and Robert H. Michel, documenting congressional representation of Illinois' 18th congressional district since 1933. The Center also houses approximately 200 smaller collections related to Congress or to its primary collections. (App. Ex. #1; Tr. pp. 19-20)

10. The Center provides reference service to anyone with an interest in using the collections at no charge. The Center provides onsite service in addition to providing photocopies and digitized images upon request. The only fee charged by the Center is a fee to cover the expense of copying. The Center does not charge any application fees for its grants or awards. The Center has key documents from its collection online, such as

heavily used documents related to the Civil Rights Act of 1964 and the Voting Rights Act of 1965. The Center receives and responds to requests via email. (App. Ex. #1; Tr. pp. 19-21, 25)

11. The Center promotes the use of its collections through the internet. It provides an E-Newsletter to over 15,000 subscribers free of charge, and it participates in over 600 “list serves,” which are similar to electronic bulletin boards for various organizations that provide lists on particular topics. (App. Ex. #1; Tr. pp. 26, 29-30)

12. The Center awards between \$30,000 and \$50,000 annually to 12 to 15 scholars conducting basic research about Congress, its leaders and members, its procedures, and the public policies it produces. These are known as the Congressional Research Awards. Through 2004, 327 research projects have received a total of \$621,794. (App. Ex. #1; Tr. pp. 20-21)

13. The Center has sponsored six national conferences, including the first on congressional leadership in 1980. Most recently, it co-sponsored with the University of Colorado and Yale University a conference on the “Macro-politics of Congress,” which was designed to set the future research agenda about the federal legislature. Subjects such as patterns of major policy change, how public opinion affects the credibility of the governing system, and how bureaucracy obscures legislative intent were discussed. (App. Ex. #1; Tr. p. 21)

14. The applicant sponsors an annual workshop for 35 high school teachers called Congress in the Classroom. This includes three and a half days of sessions with experts on Congress drawn from news media, think tanks, and universities from throughout the country. (App. Ex. #1; Tr. pp. 21-22)

15. A sample of the session titles from past workshops includes the following: “Republic on Trial: The Case for Representative Democracy”; “The Media and Congress”; “What If They Held an Election and No One Came? Citizenship, Cynicism, and Participation in American Elections.” (App. Ex. #1)

16. Since its inception in 1992, more than 450 teachers from over 250 school districts in 35 states and three foreign countries have participated in Congress in the Classroom. The applicant accepts one in five applicants because of space limitations. To meet the additional demand, the applicant created an online version of the workshop that is available at no charge and with no restrictions to anyone who wants to complete the curriculum. The Illinois State Board of Education has approved The Center as a provider of Continuing Education Units for Illinois teachers. (App. Ex. #1; Tr. pp. 37-38)

17. The applicant awards Robert H. Michel Civic Education Grants typically to classroom teachers who use the funds to develop curriculum or teaching tools about Congress. Over the past five years, the Center has awarded over \$185,000 in support of 50 projects conducted by classroom teachers to improve their ability to teach about Congress. (App. Ex. #1; Tr. p. 22)

18. The Center has a “Web Suite” that consists of the following six web sites that are accessible to everyone:

- CongressLink, which serves teachers at all levels as well as the general public with current information about Congress, access to their Members, online historical documents drawn from the Center’s collections, lesson plans developed by teachers, WebQuests, and essays by experts commissioned by the Center among other services.

- Congress for Kids, which serves students directly by hosting over 600 interactive quizzes, games, and puzzles related to the founding of our country, the operation of the federal government, and civic duty.
- AboutGovernment, which is a portal site which links visitors to several hundred sites about the federal government, politics and voting.
- Congress in the Classroom Online, which is the Web version of the workshop.
- The Dirksen Center, which is a site that contains information about the Center, its historical materials, and its programs.
- Communicator, which is the home of the applicant's Web-based monthly newsletter available to over 15,000 subscribers at no charge. (App. Ex. #1; Tr. pp. 22-23)

19. The Web suite sites have been endorsed by the National Council for the Social Studies, the National Endowment for the Humanities, the New York Times Learning Network, and the Public Broadcast System, among more than two dozen others. The suite won the best in class award from the American Political Science Association in 2002. (App. Ex. #1)

20. The Center awards grants to Pekin Community High School to help send High school students to Washington D.C. for a week-long workshop sponsored by the CloseUp Foundation. Generally four to six students attend the program each year. (App. Ex. #1; Tr. p. 38)

21. The Center awards two scholarships for college students: one honors the memory of Corinne W. Michel and goes to a student at Bradley University, and the second, the Ray LaHood Scholarship for the Study of American Government, goes to

seniors attending one of nine colleges or universities in the 18th congressional district.
(App. Ex. #1)

22. The Center makes occasional grants for projects not eligible for consideration under either the Civic Education Grants or the Congressional Research Awards. For example, the Center helped to fund the publication of an encyclopedia of Congress.
(App. Ex. #1)

23. The Center and its websites are available to the general public with no admission fees or charges. (App. Ex. #1; Tr. pp. 25, 30)

24. The Center has two full-time employees and one part-time employee. The Center is open during normal business hours and asks visitors to make appointments because its staff is small. (App. Ex. #1; Tr. p. 27)

25. Anyone may physically access the Center's materials. The Center requires two pieces of identification and consent to bodily search before and after the person leaves the research area. The Center also has rules for handling historical documents. The person accessing the documents is surveilled as he or she does research. (Tr. pp. 31-32)

CONCLUSIONS OF LAW:

The provision of the Property Tax Code (35 ILCS 200/1-1 *et seq.*) that allows exemptions for charitable purposes provides in relevant part as follows:

All property of the following is exempt when actually and exclusively used for charitable or beneficent purposes, and not leased or otherwise used with a view to profit:

(a) Institutions of public charity. * * *. (35 ILCS 200/15-65(a)).

Property may therefore be exempt under this section if it is (1) owned by an entity that is an institution of public charity, and (2) actually and exclusively used for charitable purposes. *Id.*; Chicago Patrolmen's Association v. Department of Revenue, 171 Ill. 2d 263, 270 (1996); Methodist Old People's Home v. Korzen, 39 Ill. 2d 149, 156-157 (1968). Whether property is actually and exclusively used for charitable purposes depends on the primary use of the property. Methodist Old Peoples Home at 156-57. If the primary use of the property is charitable, then the property is "exclusively used" for charitable purposes. Cook County Masonic Temple Association v. Department of Revenue, 104 Ill.App.3d 658, 661 (1st Dist. 1982).

It is well-established that property tax exemption provisions are strictly construed in favor of taxation. Chicago Patrolmen's Association v. Department of Revenue, 171 Ill.2d 263, 271 (1996). The party claiming the exemption has the burden of proving by clear and convincing evidence that it is entitled to the exemption, and all doubts are resolved in favor of taxation. *Id.*; City of Chicago v. Department of Revenue, 147 Ill.2d 484, 491 (1992); Evangelical Hospitals Corporation v. Department of Revenue, 223 Ill.App.3d 225, 231 (2nd Dist. 1992).

In Methodist Old Peoples Home, the Supreme Court provided the following guidelines for determining charitable ownership and use: (1) whether the benefits derived are for an indefinite number of people, persuading them to an educational or religious conviction, for their general welfare or in some way reducing the burdens of government; (2) whether the organization has no capital, capital stock or shareholders, earns no profits or dividends, but rather derives its funds mainly from public and private charity and holds them in trust for the objects and purposes expressed in its charter; (3)

whether the organization dispenses charity to all who need and apply for it, does not provide gain or profit in a private sense to any person connected with it, and does not appear to place obstacles of any character in the way of those who need and would avail themselves of the charitable benefits it dispenses; and (4) whether the primary purpose for which the property is used, not any secondary or incidental purpose, is charitable. Methodist Old Peoples Home, 39 Ill. 2d at 156-57. These factors are used to determine whether property meets the constitutional standards for a charitable purposes exemption. Eden Retirement Center, Inc. v. Department of Revenue, 213 Ill. 2d 273, 290-291 (2004). They are not requirements and are not to be applied mechanically or technically, but are to be balanced with an overall focus on whether and how the organization and use of the property serve the public interest and lessen the State's burden. See DuPage County Board of Review v. Joint Commission on Accreditation of Healthcare Organizations, 274 Ill. App. 3d 461, 468-469 (2nd Dist. 1995).

In the present case, the applicant has provided sufficient evidence to show that it meets the guidelines outlined in Methodist Old Peoples Home. The applicant serves everyone, is open during normal business hours, and asks visitors to schedule an appointment only because it has a small staff. Its information concerning the nature and operation of the U.S. Congress is provided to everyone at no cost. The Center charges a fee for copying, but otherwise the materials are available free of charge. Also, much of the collection is available for free through the internet. The Center derives no profit and obtains its funds primarily from the earnings of the endowment, which was built through donations and grants. An organization that finances its current operations with investment income from an endowment that was established from donated funds has been

found to derive its funds primarily through private and public donations. See Arts Club of Chicago v. Department of Revenue, 334 Ill. App. 3d 235, 245 (1st Dist. 2002).

In addition, no one privately benefits from the organization, and the Center does not place obstacles in the way of those seeking to use its services. The Center has certain security requirements for safety reasons and also to protect the integrity of the historical documents, but it places no other restrictions on the use of the material in its collection. The applicant has established that the primary use of the property is charitable.

Recommendation:

For the foregoing reasons, it is recommended that the property be exempt from taxes for the year 2003.

Linda Olivero
Administrative Law Judge

Enter: January 24, 2006